IFG GROUP PLC

2017 Interim Report

and condensed consolidated financial statements
for the six months ended 30 June 2017

Contents

IFG Group plc ('IFG' or 'the Group') is pleased to announce its half-yearly financial report for the six-month period ended 30 June 2017.

Forward looking statements

Certain statements in this report are forward-looking. Although the Group believes that the expectations reflected in these forward-looking statements are reasonable, it can give no guarantee that these expectations will prove to have been correct. Because these statements involve risks and uncertainties, actual results may differ materially from those expressed or implied by these forward-looking statements. The Group undertakes no commitment to update any forward-looking statements whether as a result of new information, future events or otherwise.

Strong growth fundamentals in both businesses

- Assets under administration and advice more than £29 billion, a 19% increase in the last 12 months, demonstrating momentum in both businesses
- Strong new client activity, with James Hay adding more than 3,000 new clients, up 50% on H1 2016, and Saunderson House adding 144 new clients compared to 126 in H1 2016, benefiting from better than expected demand for our discretionary management service
- Revenues down 4% (£1.4m), reflecting the significant impact of the previously reported £3.3m reduction in interest revenue in James Hay versus H1 2016. This has resulted in lower operating profit and adjusted operating profit
- Exceptional costs of £2.7m (H1 2016: £0.8m) relating to legal and remediation costs principally driven by "Elysian Fuels", as well as H1 restructuring costs in James Hay to accelerate efficiency gains. A further £1.0 million of restructuring costs is anticipated in H2
- Ongoing dialogue with HMRC in relation to Elysian Fuels matter, but uncertainty as to timing of conclusion and impact of any negotiated settlement, which could be material to the reported results for the year
- Interim dividend at 1.60 pence remains unchanged, but the Board remains committed to a progressive dividend policy

Business highlights

	Six months ended 30 June 2017	Six months ended 30 June 2016	Movement %
Assets under administration and advice - Group	**£29.1bn**	£24.4bn	+19%
Total SIPPs - James Hay	**53,765**	51,875	+4%
New SIPPs - James Hay	**3,075**	2,053	+50%
SIPP attrition rate - James Hay (annualised)	**6.2%**	6.8%	(9%)
Total clients - Saunderson House	**2,056**	1,895	+8%
New clients - Saunderson House	**144**	126	+14%

Financial highlights

	Six months ended 30 June 2017	Six months ended 30 June 2016	Movement %
Revenue	**£38.5m**	£39.9m	(4%)
Operating (loss)/ profit	**(£0.1m)**	£4.0m	(103%)
Adjusted operating profit	**£3.7m**	£5.8m	(37%)
Basic EPS	**0.01p**	2.63p	(100%)
Adjusted EPS	**2.98p**	4.05p	(26%)
Interim dividend	**1.60p**	1.60p	-

	Twelve months ended 30 June 2017	Twelve months ended 30 June 2016	Movement %
Free cash flow - Twelve months	**£7.5m**	£10.2m	(26%)

John Cotter, Chief Executive of IFG Group plc, commented;

'Both businesses are delivering strong growth in clients and assets, reflecting the quality propositions that they offer our clients, and our ability to compete successfully in our chosen markets. Whilst short-term financial performance is being impacted by the low interest rate environment, restructuring costs and the resolution of legacy issues, we expect a much improved second half underlying performance, particularly in James Hay as the effects of repricing and restructuring start to bear fruit. We are confident that both businesses are on a strong growth trajectory and that the underlying performance will translate into a much improved financial performance in 2018.'

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Chief Executive's statement

STRATEGY AND PERFORMANCE

The Group's strategy remains unchanged, focused on the organic growth and development of both our businesses. Whilst H1 2017 has been challenging from a financial standpoint and impacted by the ongoing legacy issues and restructuring costs, the underlying businesses have performed strongly, growing assets and clients ahead of our forecasts, and materially ahead of the same period in 2016. We now administer or advise more than £29 billion of assets for over 59,000 clients across both businesses. Legacy issues have impacted profits due to costs in H1 2017, and we also took the decision to accelerate restructuring in James Hay, which will have a further short-term financial impact in H2, but reflects our confidence in the changes we are making to the business. No provision for the additional reorganisation costs has been reflected in these figures and will be recognised in the second half. This will deliver efficiency gains going forward, which will translate into better outcomes for customers and improving operating margins. The legacy issue in James Hay, Elysian Fuels, is complex and the extent of any exposure to the Group is uncertain at this stage, and hence has not been provided for, except in relation to known legal and remediation costs which have been incurred. We are focused on resolving and clarifying any financial exposure prior to the year end.

Assets under administration and advice (AUA) increased from £24.4 billion to £29.1 billion in the 12 months to 30 June 2017, with James Hay now administering more than £24.2 billion of client assets and Saunderson House advising on just under £5.0 billion of assets. Revenue decreased by 4%. Client and asset growth were strong in James Hay and much of the lost interest revenue will be offset from repricing undertaken in late H1 in the second half. In Saunderson House the growth of the discretionary management service was ahead of forecast, but due to the timing of asset take-on, the full revenue benefits of this performance will only be seen in H2.

Group adjusted operating profit decreased by 37%, from £5.8 million to £3.7 million. Adjusting for the £3.3 million reduction in interest revenue versus H1 2016, both revenues and adjusted operating profits would have been ahead of H1 2016. The underlying performance of the businesses will translate into revenue and profit growth in H2 2017, and position the Group strongly as we go into 2018.

Profit attributable to the equity Shareholders of the parent company decreased from £2.8 million to £0.01 million, largely arising from exceptional costs incurred.

The Group delivered earnings per share (EPS) of 0.01 pence in H1 2017 compared to 2.63 pence in H1 2016.

The Group delivered adjusted EPS of 2.98 pence in H1 2017 compared to 4.05 pence in H1 2016, a decrease of 26%.

The detailed financial performance of the Group is outlined in the Financial Review on pages 4 to 7. The individual performance of the two businesses are discussed in more detail on pages 8 to 11.

MARKET AND ENVIRONMENT

Despite macro-political uncertainty, the environment for both our businesses remains favourable. Stock markets continue in positive mode, and in the UK specifically, the need for financial advice, and the increasing pace of pension flows into the self-managed space, underpin both businesses, particularly at the high-end of the wealth management market in which both businesses operate. Regulatory challenges are increasing, including the Markets in Financial Instruments Directive (MiFID) II, General Data Protection Regulation (GDPR) and the new Senior Managers and Certification Regime (SMCR) together with the recently announced review into the Platform industry. However, the Group is well placed to manage the impacts of these changes within the ongoing development plans for our businesses.

In James Hay, there has been a growing trend of clients moving out of defined benefit and corporate schemes into self-managed plans, as the recent changes to pension rules manifest themselves into increased client activity. This has contributed to a 50% increase in organic growth of clients in H1 2017 compared to H1 2016, and importantly, helped by our focused distribution strategy, with materially higher average asset levels. The growth in James Hay AUA in H1 2017 was £2.1 billion, of which £1.4 billion was incremental investments from new and existing clients. Inflows in the 12 months to 30 June were £3.0 billion. The distribution strategy to focus on a smaller number of higher-quality advisor relationships has contributed to this growth in clients, and with a materially increased average case size, is further enhancing James Hay's leading position at the high-end of the pension market. Attrition at 6.2% is lower than in 2016 (30 June 2016: 6.8%), but we expect a marginal uptick in H2, as our pricing changes take effect. As most of the growth is in the flagship MiPlan product, the overall proportion of clients and assets in this product continues to increase to 46% (H1 2016 - 36%), and is likely to exceed 50% of the total book in early 2018. The changes we made to our pricing models will offset much of the revenue lost in H1 due to a material fall in interest revenue, and ensure the business continues to be correctly compensated for the value it provides to its clients. This together with the acceleration of changes to deliver improved operational efficiency, positions the business strongly as we go forward. The accelerated changes to the infrastructure in James Hay, facilitated by the technology investments in the business over the last few years, will drive growth in clients and revenues at lower unit cost. This will support good customer outcomes and deliver improved operating margins, which we expect will increase to close to 20% in 2018.

In Saunderson House we have seen continued growth in clients and assets under advice, translating into marginally increased revenues and increased operating margin and profit, compared to H1 2016. The discretionary management offering, launched in 2016, broadens the available market opportunity for Saunderson House, specifically for clients for whom the advisory model is not necessarily appropriate initially, but who wish to avail themselves of the first-class investment proposition that Saunderson House offers. The number of discretionary clients added in H1 2017 is ahead of our forecast, and reflects the strength and appeal of this offering for sophisticated clients who do not yet need the full advisory proposition. We see this offering underpinning an increased growth trajectory going forward.

The revenue profile on the discretionary product differs from the advisory proposition, both in terms of size and timing. Fees are earned only after assets are transferred, which can be several months after the client take-on. In addition, we have recently amended our pricing structure for this service to include an initial fee at inception. Therefore H1 2017 does not show the full revenue benefits from clients added in the period, as these will largely accrue in H2. However, once assets are on-boarded, revenues are earned on an ad valorem basis, and will increase as clients of the discretionary product, who tend to be in the wealth accumulation phase, add further assets over time.

In the markets we operate in, providing a safe and secure environment for client assets, and offering high quality products, excellent service as well as first-class investment advice as part of a trusted partner relationship, are crucial to the long-term success of our business. IFG Group's businesses compete successfully against much larger firms in both the advisory and platform and administration markets in which we operate. We will continue to invest in the capability of our businesses, which will support existing clients and attract new clients, who seek a differentiated offering.

SHAREHOLDER RETURNS

A final dividend of 3.35 pence per share was approved by Shareholders on 9 May 2017 and was paid on 20 June 2017. The Board declares an interim dividend of 1.60 pence per share (2016 - 1.60 pence per share), in line with the Group's prior year interim dividend.

BOARD CHANGES

There have been no changes to the Board in the period under review.

OUTLOOK

The financial performance of the business has been impacted, in H1 2017, by reduced interest revenue and exceptional costs relating to legal and remediation expenditure on legacy matters, as well as an accelerated restructuring within James Hay. We see underlying business performance continuing to improve in H2 2017, with strong momentum into 2018. However, the resolution of the Elysian Fuels matter remains uncertain and could materially impact reported results in H2 2017, but we are focused on reaching a satisfactory conclusion. The restructuring changes in James Hay will complete in H2 2017.

Both businesses are in a materially stronger position than in prior years, reflecting a positive operating environment which is supportive of growth, despite ongoing volatility and uncertainty relating to Brexit negotiations. The benefits of our investment to improve the capability of the businesses is supporting growth and ensuring a secure and stable platform. Client demand for high-quality advice and investment performance is in increasing demand in complex market conditions. More and more clients are taking personal ownership of retirement planning, and increasingly self-managing, with advice support, their retirement assets across pensions and other asset classes. These factors provide opportunity for both of our businesses, and we are confident that both are well positioned, to continue to grow and develop on an accelerated trajectory as we go forward into 2018.

COMMENTARY ON THE RESULTS

Revenue

	Six months ended 30 June 2017 £'000	Six months ended 30 June 2016 £'000
Platform	**22,259**	24,032
Independent wealth management	**16,243**	15,869
Total revenue	**38,502**	39,901

Total revenues for the six months to 30 June 2017 of £38.5 million were £1.4 million (4%) down on the same period in 2016, primarily driven by the loss of interest revenue of £3.3 million in James Hay as a result of lower interest rates. Client and asset growth were strong in James Hay and much of the lost interest revenue will be offset by the repricing undertaken in late H1, in the second half. In Saunderson House the growth of the discretionary management service was ahead of forecast but due to the timing of asset take-on, the full revenue benefits of this performance will only be seen in H2.

Assets under administration and advice

	Six months ended 30 June 2017 £'billion	Six months ended 31 December 2016 £'billion	Six months ended 30 June 2016 £'billion
Opening	**26.7**	24.4	23.5
Net inflows	**1.5**	1.5	0.8
Market movement	**0.9**	0.8	0.1
Closing	**29.1**	**26.7**	**24.4**
Platform	**24.2**	22.1	20.3
Independent wealth management	**4.9**	4.6	4.1
Total	**29.1**	**26.7**	**24.4**

During the period of 12 months to 30 June 2017, the total value of assets under administration and advice increased by £4.7 billion (19%) from £24.4 billion to £29.1 billion, with James Hay now administering more than £24 billion of client assets and Saunderson House approaching £5.0 billion of assets under advice. The Group continued to achieve strong net new business inflows of £1.5 billion in H1 2017, reflecting the level of new client wins in both businesses and the strength of the Group's proposition.

Operating profit and adjusted operating profit

	Six months ended 30 June 2017 £'000	Six months ended 30 June 2016 £'000
Platform	**1,795**	4,242
Independent wealth management	**3,908**	3,632
Group/other	**(2,035)**	(2,054)
Total adjusted operating profit	**3,668**	5,820
Amortisation of acquired intangibles	**(1,073)**	(989)
Exceptional items	**(2,729)**	(799)
Operating (loss)/profit	**(134)**	4,032
Finance income	**33**	255
Finance costs	**-**	(251)
(Loss)/Profit before income tax	**(101)**	4,036
Income tax credit/(expense)	**116**	(1,269)
Profit for the period	**15**	2,767

Adjusted operating profit, before amortisation of acquired intangibles and exceptional items, decreased by 37% to £3.7 million from £5.8 million in H1 2016. The Group operating profit decreased by 103% to a loss of £0.1 million. The decrease in operating margin was largely driven by the fall in interest rates which came into effect in H2 2016, impacting James Hay. Our changes to the pricing model implemented late in H1 2017, will increase fee revenues and significantly improve margins for the platform business in H2 and beyond.

Group/Other

Group costs include costs for our London based Group team, the Board of Directors and other costs associated with being a publicly listed company. Residual costs relating to the finalisation of the relocation of the Group functions from Dublin to London, which concluded in May 2017 are included in exceptional items.

Exceptional items

Exceptional items of £2.7 million (30 June 2016: £0.8 million) reflect £1.8 million of legal and related remediation costs principally driven by the ongoing Elysian Fuels investigation, £0.7 million of restructuring costs in James Hay and £0.2 million of closure costs of the Dublin and Swavesey offices including the sale of the premises in Swavesey.

Taxation

The reported Group tax credit of £116,000 represents an effective tax rate of 115%, significantly in excess of the current UK corporate tax rate of 19%. This was mainly driven by adjustments relating to the closure of the Irish office and the non-deductibility of certain exceptional costs, which disproportionally impact the rate due to the level of profits. The underlying effective tax rate is closer to the UK corporate tax rate.

Adjusted EPS and adjusted earnings

	Six months ended 30 June 2017		Six months ended 30 June 2016	
	Per share pence	**Earnings £'000**	Per share pence	Earnings £'000
Profit attributable to owners of the parent company	**0.01**	**15**	2.63	2,767
Amortisation of acquisition related intangible assets	**0.86**	**911**	0.79	836
Exceptional items	**2.11**	**2,220**	0.76	799
Unwinding of discount applicable to contingent consideration	**-**	**-**	(0.13)	(133)
Adjusted earnings	**2.98**	**3,146**	4.05	4,269

The Group uses adjusted operating profit and adjusted earnings as measures of performance to eliminate the impact of items it does not consider indicative of ongoing underlying performance due to their unusual, exceptional or non-recurring nature or because they result from an event of a similar nature. The above amounts are net of tax if applicable. Definitions of these measures are included in note 2.

Summary of cash flows

	Six months ended 30 June 2017 £'000	Six months ended 30 June 2016 £'000
Cash flows (used in)/generated from operating activities	**(1,342)**	1,330
Net capital expenditure	**(2,085)**	(2,023)
Free cash flow	**(3,427)**	(693)
Interest and tax	**(1,161)**	(210)
Disposals of subsidiaries	**-**	(66)
Deferred consideration	**4,037**	-
Dividends paid	**(3,123)**	(3,025)
Head office restructuring & exceptional costs paid	**(4,084)**	-
Share issues	**-**	162
Net decrease in cash and cash equivalents	**(7,758)**	(3,832)

The Group's financial position remains strong. Net cash of £20.6 million decreased by £2.8 million in the 12 months to 30 June 2017, which included the repayment of the £7.0 million drawn facility in November 2016. Consistent with prior years, the Group has consumed cash in H1 2017 mainly due to the payment of the final dividend and 2016 bonuses. In Q1 2017, the Group received the final deferred consideration totalling £4.0 million relating to the sales of IFG FS UK and the Irish pension and advisory businesses. This was offset by cash payments for exceptional items totalling £4.1 million, specifically the closure of the Dublin headquarters and Swavesey office (£0.9 million), costs associated with the lease break on the former Group headquarters in Booterstown, Co Dublin (£0.9 million), legal and remediation payments principally driven by Elysian Fuels (£1.6 million) and redundancy payments (£0.7 million).

Financial and capital position

The Group repaid a £7.0 million drawn funding facility in November 2016 and has no debt. The Group entered into a £5.0 million overdraft facility agreement with Barclays Bank Ireland plc in December 2016.

The Pillar 1 regulatory capital resources for the Group as at 31 December 2016 were £47.6 million. The Group continues to maintain a level of regulatory capital resources which significantly exceeds both the regulatory capital requirements and working capital requirements of the Group. Further disclosures are published in the Pillar 3 document on the Group's website at www.ifggroup.com.

Dividend

The Board has declared an interim dividend of 1.60 pence per share (H1 2016: 1.60 pence per share). The Board is committed to its progressive dividend policy and the full year dividend will reflect the financial performance in H2. A final dividend for 2016 of 3.35 pence per share was approved by the shareholders on 9 May 2017 and was paid on 20 June 2017.

Share price and market capitalisation

The Company's shares traded between a range of 131 pence and 166 pence during the period. The share price at 30 June 2017 was 161 pence (30 June 2016: 174 pence), reflecting a decrease of 7% in the 12-month period to 30 June 2017 and an increase of 4% since 31 December 2016. The market capitalisation at 30 June 2017 was £169.7 million (30 June 2016: £183.4 million). There were 105,405,665 shares in issue as at 30 June 2017.

Return on capital employed

Return on capital employed is calculated as earnings before interest and tax divided by capital employed. The return on capital employed was (0.17%) versus 9.4% in H1 2016, as a result of a challenging H1 financial performance.

Related party transactions

There were no material changes in the related party transactions during the financial period. Transactions disclosed in note 11 are consistent in nature with the disclosure in note 31 of the 2016 Annual Report and Accounts.

Going concern

The Directors report that they have satisfied themselves the Group is a going concern, having adequate financial and regulatory resources to continue in operational existence for a period exceeding 12 months from the date the condensed interim financial statements were approved.

In forming this view, the Directors have reviewed the Group's solvency and liquidity position by reviewing the latest forecasts and the medium term plans as set out in the strategic plan approved by the Board in December 2016 and have taken into account the cashflow implications of the plan, including a sensitivity analysis based on the key business risks identified. They have also considered surplus cash available to the Group, including credit facilities. The Group is regulated by the FCA and performs annual capital adequacy assessments, including modelling of certain extreme stress scenarios. The Group publishes its annual Pillar 3 on its website, where further details of its regulatory capital resources and requirements are contained.

Having assessed the Group's relevant business risks, the Directors believe that the Group is well placed to manage these risks successfully. Taking all of the above into account, the Directors continue to adopt the going concern basis of accounting in preparing the condensed consolidated interim financial statements.

Principal risks and uncertainties

The detailed review of the principal risks and uncertainties which could impact the Group are detailed on pages 34 to 37 of the Group's 2016 Annual Report and Accounts, a copy of which is available on the Group's website www.ifggroup.com. The key risks and uncertainties have not materially changed and are not expected to materially change in the second half of the 2017 financial year.

We consider it premature to speculate on the potential longer term impact of Brexit until the basis of the UK's exit from the EU is clarified. In the meantime, the short-term impact to the businesses has been mainly felt in reduced interest rates and increased market volatility. The Board have continued to monitor and review the principal risks and uncertainties of the Group throughout the accounting period.

The table below shows a summary of the principal key risks and uncertainties which could impact the Group for the remainder of the financial year.

STRATEGIC RISKS

1. Changing market conditions and increased competition

The Group operates in a highly competitive environment in which economic, technological and other macro factors can negatively impact on the demand for services. In addition, as a result of tax and regulatory changes, market competition has increased which could result in a decline in market share and/or profitability, including where the Group fails to offer compliant products that meet the increasingly sophisticated needs of customers.

2. Acquisitions & disposals

In respect of acquisitions, failures in selecting appropriate investment targets, failing to integrate them into existing businesses and successfully realising the growth expected from such transactions may have an adverse impact on the Group. In addition, financial and strategic risks related to business disposals could lead to material warranty and indemnity claims.

OPERATIONAL RISKS

3. Loss of key customers/intermediaries

Loss of key customers or intermediaries due to poor customer outcomes, competitor activity or other factors, may have an adverse effect on the Group's results.

4. Loss of key management resources

Strong and effective management is fundamental to the Group's success. Failure to attract and retain highly skilled employees and executives may have a material adverse effect on the Group's operations and implementation of strategy.

5. Disruption to Information technology systems

Catastrophic loss of systems, undiscovered systems errors or other external events could cause disruption to our businesses and result in inability to perform core business activities or reduction in client services.

6. Cybercrime, fraud or security breaches in respect of the Group's data, software or information technology systems

Failure to protect our information technology systems against the increasing sophistication of cybercrime attacks, fraud or security breaches could result in loss of data or disruption to business.

FINANCIAL RISKS

7. Regulation and conduct considerations

Ongoing changes to regulation and the legislative environment applicable to the Group's activities, operating model or business opportunities may result in implementation costs, disruption to our businesses and increased levels of risk transfer by regulators to platform and advisory businesses. The Group could face a loss arising from customer complaints or a failure to deliver good customer outcomes, fines including HMRC sanction charges and/or regulatory censure from failure to comply with applicable regulations and taxation obligations and guidance in respect of both current and legacy business practices, as well as constraints in the ability to charge appropriate risk premiums for the Group's business.

8. Fluctuations in capital markets

Volatility within capital markets may adversely impact on the value of assets under administration and advice or management held by our underlying businesses which may affect revenues.

9. Liquidity

Lack of sufficient, readily realisable financial resources to meet the Group's obligations as they fall due or lack of access to liquid funds on commercially viable terms could lead to inability to pay clients and suppliers and to regulatory breaches.

10. Interest rates

Legacy over dependency on interest revenue giving rise to continuing potential vulnerabilities in the short to medium term financial performance driven by macro-economic factors.

11. Credit risk

The exposure to a financial loss as a result of a default by customers or counterparties with which the Group transacts business, including failure to receive deferred or contingent consideration on businesses sold.

James Hay

	Six months ended 30 June 2017	Six months ended 30 June 2016	Movement %
Revenue	**£22.3m**	£24.0m	(7%)
Operating (loss)/profit	**(£1.5m)**	£4.2m	(135%)
Adjusted operating profit	**£1.8m**	£4.2m	(57%)
Assets under administration	**£24.2bn**	£20.3bn	+19%
Total SIPPs	**53,765**	51,875	+4%
New SIPPs	**3,075**	2,053	+50%
SIPP attrition rates (annualised)	**6.2%**	6.8%	(9%)

Industry overview

Assets in the broader platform market grew by over £30 billion in Q1, taking the total assets on platforms through the £500 billion barrier for the first time. Projected growth sees the market breaking the £600 billion barrier by year-end. We have continued to observe strong flows during H1 2017. Advised sales still account for the largest proportion of new business (70%) and pensions were responsible for 44% of net new business. More than 90% of James Hay business is through advisors, reflecting the fact that wealthier clients tend to use advisers in respect of such financial decisions.

The regulatory environment remains active with both the MiFID II and GDPR projects under way, while preliminary work continues to assess the work required to meet the impact of the Senior Managers' and Certification Regime.

Business review

The first half of 2017 includes a number of significant business achievements but also financial challenges. This was reflected in the adjusted operating profit before exceptional costs of £1.8 million down 57% on 2016. A number of factors contributed to the lower adjusted operating profit but principally the interest revenue reduction of £3.3 million, which directly translated to the bottom line profit and a lower operating margin of 8.1% (30 June 2016: 17.5%). This was as anticipated and the pricing changes implemented late in H1 2017 will offset much of this impact in H2 2017.

A number of exceptional items have been incurred during H1 2017, including legal and remediation costs, principally driven by Elysian Fuels, (£1.6m) and restructuring costs (£0.7m) producing an operating loss after exceptional items of £1.5m, down 135% on H1 2016.

Assets under Administration (AuA) continued to increase, up 19% on H1 2016 at £24.2 billion, supported by strong new business flows, existing client contributions and market value increases.

- Assets held in the investment centre, trading through James Hay, reached £5.5bn (23% of AuA)
- MiPlan now accounts for 46% of AuA (36% in H1 2016)

Attrition has reduced by 9% to 6.2% (H1 2016 - 6.8%) in line with the expected rate. We anticipate a modest increase to attrition levels in H2 2017, as the changes to pricing are implemented.

New client wins of 3,075 (50% ahead of 2016) reflected the success of our continued focus on strategic partnerships with the top 250 advisors, supported by favourable market conditions. New business has contributed £1.1 billion of AuA averaging almost £420,000 per case, an increase of 14% on H1 2016, reflecting the increasing quality of flows from our IFA partners.

We continue to add to the quality of the senior management team, with Julia Warrack joining in April 2017 as COO, responsible for Operations and Technology, replacing the Heads of IT and Operations who departed. We have also seen a number of other senior departures, as we look to reinvigorate the leadership team to meet the challenges ahead.

The business has successfully delivered on a number of initiatives during H1:

- Implementation of the new pricing structure, providing value for investors whilst decreasing the firm's sensitivity to interest rate changes. This is expected to increase revenues by around £2.0 million in H2.
- Structural and processing changes across the operations function, focusing on improved efficiency and service levels, the benefits of which will be seen in 2018.
- The first phase of restructuring during H1 has delivered an overall headcount reduction of 36 (-5%). In doing so, exceptional costs of £0.7 million were incurred. Additional organisational reviews are underway, with an expected cost of £1.0 million in H2, which we anticipate will deliver more than £2.0 million annual cost savings in 2018.

- There has been substantial resource allocated to the review and remediation of legacy products including NSIs, with one-off remediation and external legal costs being incurred in H1, principally related to Elysian Fuels. Some of the ongoing legal costs may be covered by the Group's insurance.
- In January, James Hay withdrew from offering Non-Standard Investments (NSIs) to new SIPP clients and from May, to existing clients. We will continue to administer existing NSIs which are less than 1% of total assets under administration.

Key achievements

- James Hay retained their position as 8th largest platform in the UK, based on Platforum Adviser Platform Research Q1 2017
- Strong financial strength rating maintained, rated "B" by AKG
- Awarded a 5 star Defaqto rating for the adviser platform
- Achieved 'Excellent' FinalytiQ rating for SIPP financial stability
- Added five new discretionary managers to the managed portfolio panel

Strategy

The focus continues to be on further developing our 'digital platform' for the future and, in response to adviser and investor demand, continuing the development programme started in 2016 to bring on stream a range of new online services. The relationships with key IFAs will, we believe, deliver more consistent and higher-quality new business flows, and enhance our ability to drive efficiency gains through the increasing usage of on-line capability and reduced paper-based activity. In H1 2017, 93% of new clients used our on-line functionality to open their accounts. The distribution strategy remains to identify and maximise high value quality IFA and customer relationships while looking to enhance customer service, increase efficiency and make better use of digital and self-serve. These all feed into increasing scalability and efficiency, a rationalisation of legacy products, improving the business' cash generation and continuing our journey to becoming a fully functional cross-asset platform for retirement wealth planning.

	Six months ended 30 June 2017	Six months ended 30 June 2016	Movement %
Revenue	**£16.2m**	£15.9m	+2%
Operating profit	**£3.9m**	£3.6m	+8%
Assets under advice	**£4.9bn**	£4.1bn	+20%
Total clients	**2,056**	1,895	+8%
New clients	**144**	126	+14%
Attrition (annualised)	**2%**	4%	(50%)

Industry overview

Political events continue to dominate media coverage and create uncertainty for investors. This provides Saunderson House with the opportunity to add value to client portfolios through research-driven asset allocation and fund selection decisions. Furthermore, demand for our services is supported by the sustained low interest rate environment which, coupled with increasing inflation, continues to erode the real value of cash savings and encourages investors to seek greater returns through financial markets. Increasing frequency of life events (such as career or location changes) and an evolving pensions landscape are also promoting demand for holistic financial advisory services.

Regulatory initiatives, such as MiFID II, GDPR and the SMCR, have required industry-wide responses. These bring both benefits to the industry's reputation in the eyes of its clients, but also require allocation of resources to achieve compliance.

We remain attuned to high levels of industry competitiveness, including new entrants exploiting technological capabilities and a continuing trend of consolidation. There has also been increased service development activity, with competitors expanding their propositions to include digital offerings, banking services and enhancing their financial advisory and discretionary management capabilities. Saunderson House remains a differentiated proposition to attract and profitably service our chosen market segments. Research conducted during H1 2017 endorsed how our tailored offering and trusted relationships with clients ensure we continue to attract and retain clients who value our differentiated offering.

Business review

Total revenues have increased by 2% compared to H1 2016 and operating profits have risen by 8%, increasing the operating margin to 24%. The restructuring of the client facing teams, focusing more explicitly on winning new clients and serving existing clients, will deliver a more focused service model, which, together with investment in technology, will make the business more scalable and deliver improved operating margins. Assets under advice increased to £4.9 billion, and Saunderson House now serves over 2,000 clients. New client wins have increased this year, with 144 new clients won compared to 126 clients during H1 2016. In 2016 the business benefitted from increased investment activity due to Brexit, increasing demand for advice from existing clients, which was not repeated in 2017.

Our discretionary management service, launched at the beginning of 2016, has exceeded our initial expectations. We anticipated that the discretionary offering would be attractive to those clients with lower initial value portfolios, yet it has also seen encouraging demand from our traditional client segments, as well as from existing advisory clients. This is positive for the long-term development of the service, although does have a short-term impact on revenues, as there is an inherent lag in the generation of income from our discretionary service in comparison to that of our advisory service. We have also recently amended our pricing structure for this service to include an initial fee at inception. As a result, the new business in H1 2017 will only start to deliver meaningful revenue from H2 2017.

Our ongoing client feedback programme has confirmed high satisfaction ratings amongst our client base, with an average client advocacy score of 9.3 out of 10. Amongst other improvement initiatives, clients have benefitted from the continued development of our digital offering, Saunderson House Online. This has included the implementation of a number of new features further enabling clients to use the portal as a secure repository for their financial information. The portal provides a way for clients and families to gain an up-to-date insight into their wealth and, through the ability to group accounts together, recognises and accommodates the intergenerational relationships that they often have with Saunderson House.

To ensure a solid and secure platform for future growth, we have maintained investment in our IT capabilities and infrastructure, particularly in relation to the discretionary offering to ensure we can scale our business for an increased trajectory of new clients. We have made improvements to our governance model, with the introduction of new personnel to the business in key areas, such as risk and compliance oversight. We have also redefined a number of management roles to ensure clear accountability for service development, business operations and business development outcomes. Amanda Davidson, a former Director of the FCA, was appointed to the Saunderson House Board in July 2017, subject to FCA approval.

Key achievements

We are proud to have been independently recognised for the following awards during the year:

- Best Wealth Management Adviser - Money Marketing Awards 2017
- Best Pension Planning Firm at the 2017 Wealth & Money Management Awards
- Silver award for Best Use of Technology (joint with our client portal provider) - UK Financial Services Experience Awards 2017.

Investment proposition

Over the last decade, our Wealth Accumulation Balanced Model has delivered a total return of more than 82%, outperforming the appropriate Asset Risk Consultants (ARC) comparator by over 23%. In monetary terms, based on a starting portfolio value of £1.0 million, this equates to more than £230,000 of additional value when compared with the ARC peer group. Disciplined adherence to our straightforward, value-based transparent process has enabled us to generate returns in excess of our peers over one, three, five and ten years. Performance has also comfortably outpaced inflation, delivering an average real return (i.e. adjusted for inflation) of 3.8% per annum over ten years.

Strategy

Saunderson House's focus remains on delivering a high quality, highly tailored service to clients with complex financial needs. We utilise technology to support our relationship-led offering by improving client access to information, efficiently managing client assets and providing transparency over how their wealth is managed. In addition to our award-winning investment proposition, our expertise in specific market segments enables us to deliver value to clients through understanding and addressing their needs better than our competitors. We take a systematic approach to business development and continue to build our presence in complementary market segments.

Our service development strategy is focussed on meeting and exceeding the ever-evolving needs of our clients and markets. Strategic projects to improve our portfolio management technology and the expansion of our middle office function are expected to drive operational efficiencies over the medium-term.

Condensed Consolidated Income Statement (unaudited)

Six months ended 30 June 2017

	Notes	**Six months ended 30 June 2017 Unaudited £'000**	Six months ended 30 June 2016 Re-presented Unaudited £'000
Revenue	3	**38,502**	39,901
Staffing expense		**(24,102)**	(24,540)
Depreciation and amortisation		**(2,565)**	(2,273)
Other operating expenses		**(9,240)**	(8,257)
Other gains	4	**-**	501
Other losses	4	**(2,729)**	(1,300)
Operating (loss)/profit		**(134)**	4,032
Analysed as:			
Operating profit before exceptional items		**2,595**	4,831
Exceptional items	4	**(2,729)**	(799)
Operating (loss)/profit		**(134)**	4,032
Finance income		**33**	255
Finance costs		**-**	(251)
(Loss)/profit before income tax		**(101)**	4,036
Income tax credit/(expense)	5	**116**	(1,269)
Profit for the period	3	**15**	2,767
Profit for financial period attributable to:			
Owners of the parent company		**15**	2,767
Profit for the period		**15**	2,767

Earnings per share attributable to the owners of the Company during the period:

	Six months ended 30 June 2017 Unaudited	Six months ended 30 June 2016 Unaudited
Basic earnings per ordinary share (pence)		
From profit for the period	**0.01**	2.63
Diluted earnings per ordinary share (pence)		
From profit for the period	**0.01**	2.61

The accompanying notes form an integral part of the half yearly report.

Condensed Consolidated Statement of Comprehensive Income (unaudited)

Six months ended 30 June 2017

	Six months ended 30 June 2017 Unaudited £'000	Six months ended 30 June 2016 Unaudited £'000
Profit for the period	**15**	2,767
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign currency operations	**119**	270
Reclassification adjustment of exchange reserve upon strike off of subsidiaries	**-**	(516)
Recycled to the condensed Consolidated Income Statement on disposal of subsidiary	**-**	(48)
Other comprehensive income	**119**	(294)
Total comprehensive income for the period	**134**	2,473
Total comprehensive income attributable to:		
Owners of the Company	**15**	2,473
Non-controlling interest	**-**	-
Total comprehensive income for the period	**15**	2,473

The accompanying notes form an integral part of the half yearly report.

Condensed Consolidated Statement of Financial Position (unaudited)

As at 30 June 2017

	Notes	**30 June 2017 Unaudited £'000**	31 December 2016 Audited £'000	30 June 2016 Unaudited £'000
ASSETS				
Non-current assets				
Property plant and equipment	10	**3,564**	4,322	2,844
Intangible assets	10	**54,652**	55,074	54,828
Deferred income tax asset		**9**	9	9
Total non-current assets		**58,225**	59,405	57,681
Current assets				
Trade and other receivables	10	**18,209**	22,828	24,677
Income tax asset		**-**	-	18
Cash and cash equivalents	8	**20,557**	28,226	30,376
Total current assets		**38,766**	51,054	55,071
Assets classified as held for sale	10	**550**	-	-
Total assets		**97,541**	110,459	112,752
LIABILITIES				
Non-current liabilities				
Deferred income tax liabilities		**2,360**	2,323	2,785
Provisions for other liabilities		**1,030**	1,032	2,038
Total non-current liabilities		**3,390**	3,355	4,823
Current liabilities				
Trade and other payables	10	**16,667**	22,551	18,859
Income tax liabilities		**58**	1,902	1,142
Borrowings		**-**	-	6,910
Provisions for other liabilities		**262**	2,445	1,795
Total current liabilities		**16,987**	26,898	28,706
Total liabilities		**20,377**	30,253	33,529
Net assets		**77,164**	80,206	79,223
EQUITY				
Share capital		**10,093**	10,093	10,093
Share premium		**82,404**	82,404	82,404
Other reserves	10	**(14,151)**	(14,054)	(14,240)
Retained earnings		**(1,182)**	1,763	966
Total equity		**77,164**	80,206	79,223

The accompanying notes form an integral part of the half yearly report.

Condensed Consolidated Statement of Cash Flows (unaudited)

Six months ended 30 June 2017

	Notes	**Six months ended 30 June 2017 Unaudited £'000**	Six months ended 30 June 2016 Unaudited £'000
Cash flows from operating activities			
Cash (used in)/generated from operations	7	**(1,342)**	1,330
Head office restructuring and exceptional		**(4,084)**	-
Interest received		**31**	98
Income taxes paid		**(1,192)**	(194)
Net cash (used in)/generated from operating activities		**(6,587)**	1,234
Cash flows from investing activities			
Purchase of property, plant and equipment		**(551)**	(715)
Purchase of intangible assets		**(1,534)**	(1,308)
Disposal of subsidiaries		**-**	(66)
Deferred consideration received		**4,037**	-
Net cash generated from/(used in) investing activities		**1,952**	(2,089)
Cash flows from financing activities			
Dividends paid		**(3,123)**	(3,025)
Interest paid		**-**	(114)
Proceeds from issue of share capital		**-**	162
Net cash used in financing activities		**(3,123)**	(2,977)
Net decrease in cash and cash equivalents		**(7,758)**	(3,832)
Cash and cash equivalents at the beginning of the period		**28,226**	34,085
Effect of foreign exchange rate changes		**89**	123
Cash and cash equivalents at the end of the period	8	**20,557**	30,376

	Notes	**Six months ended 30 June 2017 Unaudited £'000**	Six months ended 30 June 2016 Unaudited £'000
Cash and short-term deposits:			
- as disclosed on the condensed Consolidated Statement of Financial Position		**20,557**	30,376
Cash and cash equivalents at the end of the period	8	**20,557**	30,376

The accompanying notes form an integral part of the half yearly report.

Condensed Consolidated Statement of Changes in Equity (unaudited)

	Share capital Unaudited £'000	Share premium Unaudited £'000	Other reserves Unaudited £'000	Retained earnings Unaudited £'000	Attributable to the owners of the parent Unaudited £'000	Non-controlling interest Unaudited £'000	Total equity Unaudited £'000
At 1 January 2017	**10,093**	**82,404**	**(14,054)**	**1,763**	**80,206**	**-**	**80,206**
Profit for the period	-	-	-	**15**	**15**	-	**15**
Other comprehensive income							
Currency translation:							
– arising in the period	-	-	**119**	-	**119**	-	**119**
– reclassification adjustment of exchange reserve upon strike off of subsidiaries	-	-	-	-	-	-	-
– recycled to the condensed Consolidated Income Statement on disposal of subsidiary	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	**119**	**15**	**134**	-	**134**
Dividends	-	-	-	**(3,123)**	**(3,123)**	-	**(3,123)**
Issue of share capital	-	-	-	-	-	-	-
Transfer of vested share-based payment	-	-	**(163)**	**163**	-	-	-
Reclassification adjustment of exchange reserve upon strike off of subsidiaries	-	-	-	-	-	-	-
Share-based payment compensation:							
– value of employee services – share options	-	-	**(53)**	-	**(53)**	-	**(53)**
Transaction with owners	-	-	**(216)**	**(2,960)**	**(3,176)**	-	**(3,176)**
At 30 June 2017	**10,093**	**82,404**	**(14,151)**	**(1,182)**	**77,164**	**-**	**77,164**

At 1 January 2016	10,078	82,257	(13,766)	629	79,198	-	79,198
Profit for the period	-	-	-	2,767	2,767	-	2,767
Other comprehensive income							
Currency translation:							
– arising in the period	-	-	270	-	270	-	270
– reclassification adjustment of exchange reserve upon strike off of subsidiaries	-	-	(516)	-	(516)	-	(516)
– recycled to the condensed Consolidated Income Statement on disposal of subsidiary	-	-	(48)	-	(48)	-	(48)
Total comprehensive income for the period	-	-	(294)	2,767	2,473	-	2,473
Dividends	-	-	-	(3,223)	(3,223)	-	(3,223)
Issue of share capital	15	147	-	-	162	-	162
Transfer of vested share-based payment	-	-	(277)	277	-	-	-
Reclassification adjustment of exchange reserve upon strike off of subsidiaries	-	-	-	516	516	-	516
Share-based payment compensation:							
– value of employee services – share options	-	-	97	-	97	-	97
Transaction with owners	15	147	(180)	(2,430)	(2,448)	-	(2,448)
At 30 June 2016	10,093	82,404	(14,240)	966	79,223	-	79,223

	Share capital Audited £'000	Share premium Audited £'000	Other reserves Audited £'000	Retained earnings Audited £'000	Attributable to the owners of the parent Audited £'000	Non-controlling interest Audited £'000	Total equity Audited £'000
At 1 January 2016	10,078	82,257	(13,766)	629	79,198	-	79,198
Profit for the period	-	-	-	5,250	5,250	-	5,250
Other comprehensive income							
Currency translation:							
– arising in the period	-	-	419	-	419	-	419
reclassification adjustment of exchange reserve upon strike off of subsidiaries	-	-	(516)	-	(516)	-	(516)
– recycled to the Consolidated Income Statement on disposal of subsidiaries	-	-	(48)	-	(48)	-	(48)
Total comprehensive income for the period	-	-	(145)	5,250	5,105	-	5,105
Dividends	-	-	-	(4,909)	(4,909)	-	(4,909)
Issue of share capital	15	147	-	-	162	-	162
Transfer of vested share-based payment	-	-	(277)	277	-	-	-
Reclassification adjustment of exchange reserve upon strike off of subsidiaries	-	-	-	516	516	-	516
Share-based payment compensation:							
– value of employee services – share options	-	-	134	-	134	-	134
Transaction with owners	15	147	(143)	(4,116)	(4,097)	-	(4,097)
At 31 December 2016	10,093	82,404	(14,054)	1,763	80,206	-	80,206

The accompanying notes form an integral part of the half yearly report.

Notes to the Condensed Consolidated Financial Statements (unaudited)

1. Reporting entity

IFG Group plc is a public company, listed on the Irish and London Stock Exchanges and is incorporated and domiciled in the Republic of Ireland. This condensed set of financial statements (financial information) comprise the Company and its subsidiaries. The Group provides a range of financial solutions including full platform services, pension administration and independent financial advice.

2. General information

The half-yearly financial information is considered non-statutory financial statements for the purposes of the Companies Act 2014 and in compliance with section 340(4) of that Act we state that:

- the financial information for the half year to 30 June 2017 has been prepared to meet our obligation to do so under the listing rules of the main securities market of the Irish Stock Exchange and S.I. No. 277 of 2007;
- the financial information for the half year to 30 June 2017 does not constitute the statutory financial statements of the Company;
- the statutory financial statements for the financial year ended 31 December 2016 have been annexed to the annual return and filed with the Companies Registration Office in Ireland;
- the statutory auditors of the Company made a report under section 391 of the Companies Act 2014 in relation to the statutory financial statement for the year ended 31 December 2016; and
- the matters referred to in the statutory auditors' report were unqualified, and did not include a reference to any matters to which the statutory auditors drew attention by way of emphasis without qualifying the report.

BASIS OF PREPARATION

This financial information, for the six months ended 30 June 2017, has been prepared in accordance with the Transparency (Directive 2004/109/EC) Regulations 2007, as amended, the Transparency Rules of the Central Bank of Ireland and International Accounting Standard 34 'Interim Financial Reporting' as adopted by the EU. This financial information should be read in conjunction with the financial statements for the year ended 31 December 2016, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

The accounting policies applied are consistent with those used to prepare the financial statements for the year ended 31 December 2016 and the financial statements have been prepared on a basis consistent with that reported for the year ended 31 December 2016.

The consolidated income statement is re-presented for the prior half year comparatives as expenses have been analysed by nature, instead of by function.

UPDATES TO TECHNICAL PRONOUNCEMENTS

The following standards and interpretations issued by the International Accounting Standards Board ('IASB') and the International Financial Reporting Interpretations Committee ('IFRIC') are effective, for the first time in the current year, and have been adopted with no significant impact on the Group's result for the period or financial position.

- Amendments to IAS 7 - 'Disclosure Initiative'
- Amendments to IAS 12 - 'Recognition of Deferred Tax Assets for Unrealised Losses'
- Annual improvements to IFRS 2014 – 2016 cycle

The following standards, amendments and interpretations have been issued but are not yet effective for the Group. The Group will apply the relevant standards from their EU effective dates and is currently assessing their impact on its financial statements.

- IFRS 9 'Financial Instruments'

This standard addresses the classification, measurement and recognition of financial instruments and will replace IAS 39 *Financial Instruments: Recognition and Measurement*. The effective date is for the period beginning on 1 January 2018. The Group assessed its business model for holding financial assets as required by IFRS 9. The Group's financial assets consist of trade receivables and cash for which amortised cost measurement applies. The Group does not expect the classification of its financial assets to change as a result of implementation of IFRS 9. The Group does not believe that the impact will be material when the new impairment model is applied. The basis of the Expected Credit Loss model will be consistent across the Group.

- IFRS 15 'Revenue from contracts with customers'

This standard will replace IAS 18 *Revenue*, IAS 11 *Construction Contracts* and related interpretations. IFRS 15 deals with revenue recognition, establishing principles for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The Group's revenues are earned from short-term contracts with relatively small values per contract, the Group does not have long-term contracts. Based on an initial assessment of the Group's performance obligations and the related allocation of transaction price, the Group does not expect there to be a material impact following the adoption of IFRS 15.

- IFRS 16 'Leases'

This standard deals with recognition, measurement, presentation and disclosure on leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance. The Group does not expect there to be a material impact following the adoption of IFRS 16.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In the six months ended 30 June 2017, there were no significant changes to the Group's approach to, and method of, making critical accounting estimates and judgements compared to those disclosed in the Audit Committee report of the 2016 Annual Report and Accounts.

USE OF ALTERNATIVE PERFORMANCE MEASURES

The Group has identified certain measures that it believes will assist in the understanding of the performance of the business. These measures are not defined under IFRS and they may not be directly comparable with other companies' adjusted measures. These alternative performance measures are not intended to be a substitute for, or superior to, any IFRS measures of performance but management have included them as they consider them to be important comparables and key measures used within the business for assessing performance.

The following are key alternative performance measures identified by the Group and used in the Group financial statements and in the financial information presented herein:

Adjusted operating profit

Adjusted operating profit is defined as operating profit, excluding acquisition-related amortisation and exceptional items. Management believes excluding these items from the calculation of operating profit is useful because management excludes items that are not comparable when measuring operating profitability, evaluating performance trends and setting management performance objectives. It allows investors to evaluate the Group's performance for different periods on a more comparable basis.

The reconciliation of adjusted operating profit to profit before income tax has been disclosed in note 3.

Adjusted earnings and adjusted EPS

Adjusted earnings is defined as profit attributable to owners of the parent company before amortisation of acquired intangibles, exceptional items and unwinding of discount applicable to contingent consideration, net of tax where applicable.

Adjusted EPS is defined as basic earnings per ordinary share adjusted for amortisation of acquired intangibles, exceptional items and unwinding of discount applicable to contingent consideration, net of tax where applicable.

The Group uses adjusted operating profit, adjusted earnings and adjusted EPS as measures of performance to eliminate the impact of items it does not consider indicative of ongoing operating performance due to their inherent unusual, exceptional, or non-recurring nature or because they result from an event of a similar nature.

A table showing the reconciliation from basic EPS to adjusted EPS and a reconciliation from profit attributable to owners of the parent Company to adjusted earnings is included in the Financial Review.

Free cash flow

Free cash flow represents the cash flow generated from operating activities less cash used in relation to capital expenditure.

Management considers free cash flow an important measure of the Group's ability to generate cash and profits. Free cash flow is an accurate measure of how much cash the Group has generated to service its debts, pay dividends and further invest in its operations. The financial review includes a reconciliation of free cash flow to the net cash flow in the period.

Return on capital employed

Return on capital employed is calculated as earnings before interest and tax divided by capital employed. It measures how efficiently the Group generates profits from its capital employed by comparing it to net profit.

3. Segmental information

In line with the requirements of IFRS 8, 'Operating segments', the Group has identified the Group Chief Executive of the Company as its Chief Operating Decision Maker (CODM). The Group Chief Executive reviews the Group's internal reporting in order to assess the performance of the Group and allocate resources. The operating segments have been identified based on these reports.

Throughout the period, the Group Chief Executive considered the business line perspective, based on two reporting segments: platform and independent wealth management. The segments were managed by senior executives who reported to the Group Chief Executive and to the subsidiary Boards. These segments are described in the interim management report. Group and other costs are reported separately.

The Group Chief Executive assessed the performance of the segments based on a measure of adjusted earnings. He also considers profit before tax and reviews working capital and overall balance sheet performance on a Group wide basis but also received reports on all measures at an individual business level.

The Group earns its revenues in these segments by way of fees from the provision of services. Intersegment revenue is not material and thus not subject to separate disclosure.

Goodwill is allocated to cash-generating units on a reporting segment level and that is the level at which it is assessed for impairment. Income tax is managed on a centralised basis and is therefore not allocated between operating segments for the purpose of presenting information to the CODM. The information provided to the Group Chief Executive for the reportable segments, for the period ended 30 June 2017 is as follows:

Six months ended 30 June 2017:

	Platform £'000	Independent wealth management £'000	Group/ Other £'000	Total £'000
Revenue	**22,259**	**16,243**	**-**	**38,502**
Adjusted operating profit/(loss)	**1,795**	**3,908**	**(2,035)**	**3,668**
Amortisation of acquired intangibles	**(1,073)**	**-**	**-**	**(1,073)**
Exceptional items	**(2,261)**	**-**	**(468)**	**(2,729)**
Operating (loss)/profit	**(1,539)**	**3,908**	**(2,503)**	**(134)**
Finance income	**20**	**-**	**13**	**33**
Finance costs	**-**	**-**	**-**	**-**
(Loss)/profit before income tax	**(1,519)**	**3,908**	**(2,490)**	**(101)**
Income tax credit				**116**
Profit for the period				**15**

The prior half year comparatives are as follows:

	Platform £'000	Independent wealth management £'000	Group/ Other £'000	Total £'000
Revenue	24,032	15,869	-	39,901
Adjusted operating profit/(loss)	4,242	3,632	(2,054)	5,820
Amortisation of acquired intangibles	(989)	-	-	(989)
Exceptional items	-	501	(1,300)	(799)
Operating profit/(loss)	3,253	4,133	(3,354)	4,032
Finance income	74	91	90	255
Finance costs	-	-	(251)	(251)
Profit/(loss) before income tax	3,327	4,224	(3,515)	4,036
Income tax expense				(1,269)
Profit for the period				2,767

Assets and liabilities as at 30 June 2017

	Platform £'000	Independent wealth management £'000	Group/ Other £'000	Total £'000
ASSETS				
Segment assets	**68,984**	**18,616**	**9,932**	**97,532**
Deferred income tax asset				**9**
Income tax asset				**-**
Total assets as reported on the condensed Consolidated Statement of Financial Position				**97,541**
LIABILITIES				
Segment liabilities	**(9,512)**	**(5,947)**	**(2,500)**	**(17,959)**
Deferred income tax liabilities				**(2,360)**
Current income tax liabilities				**(58)**
Total liabilities as reported on the condensed Consolidated Statement of Financial Position				**(20,377)**

Assets and liabilities as at 30 June 2016

	Platform £'000	Independent wealth management £'000	Group/ Other £'000	Total £'000
ASSETS				
Segment assets	77,007	23,554	12,164	112,725
Deferred income tax asset				9
Income tax asset				18
Total assets as reported on the condensed Consolidated Statement of Financial Position				112,752
LIABILITIES				
Segment liabilities	(10,753)	(7,299)	(11,550)	(29,602)
Deferred income tax liabilities				(2,785)
Current income tax liabilities				(1,142)
Total liabilities as reported on the condensed Consolidated Statement of Financial Position				(33,529)

Assets and liabilities as at 31 December 2016

	Platform £'000	Independent wealth management £'000	Group/ Other £'000	Total £'000
ASSETS				
Segment assets	77,237	25,716	7,497	110,450
Deferred income tax asset				9
Income tax asset				-
Total assets as reported on the condensed Consolidated Statement of Financial Position				110,459
LIABILITIES				
Segment liabilities	(10,177)	(11,417)	(4,434)	(26,028)
Current income tax liabilities				(1,902)
Deferred income tax liabilities				(2,323)
Total liabilities as reported on the condensed Consolidated Statement of Financial Position				(30,253)

4. Exceptional items

EXCEPTIONAL ITEMS CHARGED AGAINST OPERATING PROFIT

	Six months ended 30 June 2017 £'000	Six months ended 30 June 2016 £'000
Disposal of IFG UK FS	**-**	501
Group headquarters relocation costs	**(224)**	(1,300)
Legal & remediation costs	**(1,820)**	-
James Hay redundancy costs	**(685)**	-
Total	**(2,729)**	(799)

2017

Group headquarters relocation costs
A cost of £0.1 million related to the impairment of the Swavesey office which is now recorded as a held for sale asset. A further £0.1 million related to the final costs for the delayed closure of the Dublin office.

Legal & remediation costs
A cost of £1.8 million has been recognised in relation to remediation and legal costs principally driven by the ongoing Elysian Fuels investigation.

Redundancy costs
Redundancy costs relating to the restructure of the James Hay business of £0.7 million have been recognised.

2016

Disposal of IFG UK FS
A gain of £0.5 million was recognised following the agreement of the final consideration payable for the IFG UK FS businesses sold in 2014.

Group headquarters relocation costs
A provision of £1.3 million relating to the planned restructuring of Group headquarters was recognised in the period, which involved the closure of the Dublin office and legacy UK finance functions.

5. Income tax credit/(expense)

	Six months ended	Six months ended

	30 June 2017 £'000	30 June 2016 £'000
Current tax		
– current period expense	**(693)**	(1,374)
– prior period over provision	**271**	14
Total current tax expense	**(422)**	(1,360)
Movement in deferred tax	**28**	91
Income tax expense before exceptional items	**(394)**	(1,269)
Tax effect of exceptional items	**510**	-
Income tax credit/(expense)	**116**	(1,269)

6. Dividends

A final dividend for 2016 of 3.35 pence per share was approved by the shareholders on 9 May 2017 and was paid on 20 June 2017. The Board has declared an interim dividend of 1.60 pence, in line with 2016. The interim dividend will be paid on 27 November 2017 to shareholders on the register at the close of business on 3 November 2017 with an ex-dividend date of 2 November 2017.

7. Cash (used in)/generated from operations

	Six months ended 30 June 2017 £'000	Six months ended 30 June 2016 £'000
(Loss)/profit before income tax	**(101)**	4,036
Depreciation and amortisation	**2,565**	2,273
Disposal of subsidiaries	**-**	(48)
Finance costs	**-**	251
Finance income	**(33)**	(255)
Foreign exchange movement	**42**	21
Non-cash share-based payment compensation charges	**(53)**	97
Increase in trade and other receivables	**600**	(2,098)
Decrease in current and non-current liabilities	**(4,362)**	(2,947)
Cash (used in)/generated from operations	**(1,342)**	1,330

8. Analysis of net cash

	Opening balance £'000	Cash flow £'000	Other movements £'000	Closing balance £'000
Cash and short-term deposits	28,226	(7,758)	89	20,557
Total	**28,226**	**(7,758)**	**89**	**20,557**

OTHER MOVEMENTS

Other movements of £89,000 relate to the impact of exchange rate movements arising on balances denominated in currencies other than Sterling.

9. Financial risk management and financial instruments

FINANCIAL RISK FACTORS

The Group's activities expose it to a variety of financial risks: market risk (including interest rate risk and foreign currency risk), credit risk and liquidity risk.

The financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's 2016 Annual Report and Accounts as at 31 December 2016. There have been no changes in any risk management policies adopted by the Group.

LIQUIDITY AND CAPITAL RESOURCES

The Group has a £5.0 million overdraft facility agreement with Barclays Bank Ireland plc.

FAIR VALUE ESTIMATION

All financial instruments, for which fair value is recognised or disclosed, are categorised within the fair value hierarchy (described as follows) based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted market prices in an active market (that are unadjusted) for identical assets or liabilities.
Level 2 - Valuation techniques (for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable).
Level 3 - Valuation techniques (for which the lowest level input that is significant to the fair value measurement is unobservable).

For financial instruments that are recognised at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

There was no change in the valuation method of financial instrument assets or liabilities, carried at fair value, during the six-month period to 30 June 2017.

The fair value of the Group's financial assets and liabilities approximates their carrying amount.

10. Other statement of financial position items

PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

In the half year to 30 June 2017, the Group spent £2.0 million (H1 2016: £2.0 million) on PPE and intangible assets, including computer software to continue to enhance product capability and operational efficiency, in both businesses. The Group also charged amortisation and depreciation expense of £2.6 million (H1 2016: £2.3 million).

At 30 June 2017, amounts authorised by the Directors as capital commitments, but not contracted for, were £5.3 million (31 December 2016: £7.3 million).

AVAILABLE FOR SALE ASSETS

At 30 June 2017, the Group had received an offer on the freehold premises in Swavesey which is now held for sale in the amount of £0.6m (30 June 2016: £ nil).

TRADE AND OTHER RECEIVABLES

The decrease in trade and other receivables from £22.8 million as at 31 December 2016 to £18.2 million as at 30 June 2017 was mainly due to the receipt of deferred consideration in the period of £4.0 million.

TRADE AND OTHER PAYABLES

The decrease in trade and other payables from £22.6 million as at 31 December 2016 to £16.7 million as at 30 June 2017 was due principally to the payment of 2016 bonuses.

OTHER RESERVES

The other reserves balance increased by £0.1 million from £14.1 million as at 31 December 2016 to £14.2 million as at 30 June 2017. This movement was attributable to the half year charge for share options of £0.1 million, transfer of vested share based payments to retained earnings of £0.2 million and movement of £0.1 million on the translation of the non-Sterling foreign operations.

11. Related party transactions

KEY MANAGEMENT PERSONNEL COMPENSATION

As per IAS 24 'Related party disclosures', the Group has defined the term 'key management personnel' as its Directors. In addition to their salaries, the Group also provides non-cash benefits to Directors and contributes to post-employment plans on behalf of certain Directors.

	30 June 2017 £'000	30 June 2016 £'000
Salaries and other short-term benefits	**381**	486
Post-employment benefits	**33**	55
Long-term incentives and share-based payments	**-**	19
Charged to Condensed Consolidated Income Statement	**414**	560

TRANSACTIONS AND BALANCES WITH JOINT VENTURES AND ASSOCIATES

At 30 June 2017, Group companies were owed £nil (31 December 2016: £nil) by Rayband Limited, an Irish unlisted company and an associate of the Group. The Group has no further financial exposure with Rayband and will look to strike it off.

TRANSACTIONS INVOLVING ENTITIES IN WHICH KEY MANAGEMENT HAVE AN INTEREST

During the period, Group companies earned £31,000 (2016: £41,000) from key management for services provided by the two businesses. All fees were charged on an arm's-length basis with our normal terms and conditions. At the end of the period, Group companies were owed £13,000 (2016: £27,000).

12. Commitments, contingencies and guarantees

Given the nature of the business, the Group has a number of claims against it. The Group has procedures in place to assess the veracity of the claims and provision has been made to cover its best estimate of the exposure in respect of these matters. No provisions have been recorded for other contingencies, as the Group's obligations under them are not probable and estimable.

The Company has provided rental guarantees, to landlords of Group occupied premises, totalling £0.6 million over the period to 2018 (H1 2016: £0.6 million).

In March 2016, the Group received a notice of a claim under the indemnities provided in the sale of the International Segment completed in 2012. The claim is considered by the purchaser to be an amount of up to £3.0 million but we do not accept that it is a valid claim under the terms of the sale agreement, and ongoing discussions with the counterparty have not yet resolved the position to our satisfaction. Therefore, in light of our view, supported by legal advice, that this is not a valid claim, the Group does not believe a provision is quantifiable, or necessary, in respect of this matter.

The Group periodically receives customer complaints, or requests from Revenue Authorities or Regulators arising out of its ongoing business operations. A small number of these matters, in addition to the "Elysian Fuels" matter noted below, were under review at the end of the reporting period. The Group could face a loss arising from customer complaints, failure to comply with relevant legislation or failure to deliver good customer outcomes, including claims, sanctions or penalty charges from Revenue Authorities or Regulators relating to the advice given on, or the administration of, our clients' assets. Any potential liability for such matters can only be determined once the full circumstances are examined and the status of the relevant regulatory compliance obligations are determined, such matters remain uncertain until the conclusion of any internal review processes. Any exposures, once known, are promptly settled where appropriate, or provided for where the outcome is known with some certainty. It is not always practical to reliably estimate the quantum of any liability that may arise relating to such matters; however, if such claims were to materialise, they may in any event be mitigated by recoveries available to the Group. The Group will continue to reassess these matters and make provision where the outcome is known with sufficient certainty.

In April 2017, the Group received assessment notices for sanction charges from HMRC in relation to its investigations into one non-standard investment known as "Elysian Fuels", which was a structured investment in biofuel businesses initiated between 2011 and 2015, an equity component of which was held by some investors through their SIPP. Some of these investors are clients of James Hay. Around 500 of James Hay's 57,000 clients invested a total of c.£55 million in Elysian Fuels. These sanction charges, relating to the tax years 2011/2012 and 2012/2013 totalled £1.8 million. The Group has appealed these charges and they are the subject of ongoing discussions with HMRC. As this matter remains under review by HMRC and has not been determined, either in terms of liability or quantum, the extent of any ultimate exposure to the Group, which could be material, is uncertain at this stage. As a result any financial effect cannot be reliably estimated at this time, and may in any event be mitigated by recoveries available to the Group. No provision has therefore been made in respect of this matter, other than for actual legal costs incurred to date. Sanction charges can be levied by HMRC on SIPP providers where there is deemed unauthorised payments, the amount of which is dependent upon the individual circumstances of each investor. The Group believes James Hay acted appropriately and in accordance with its clients' instructions in relation to these investments.

13. Post balance sheet events

On 20 July 2017, the Group Board approved an acceleration of the restructuring plan for James Hay. This plan will deliver improvements to the operational capabilities of the business, supporting increased efficiency, reduced on-going costs and improved service levels to clients. It is anticipated that this restructuring plan will cost an additional £1.0 million and this expense will likely be recognised as an exceptional item in H2 2017.

Responsibility Statement

The Directors are responsible for preparing the half-yearly financial report in accordance with the Transparency (Directive 2004/109/EC) Regulations 2007 as amended, the related transparency rules of the Central Bank of Ireland and with IAS 34 'Interim Financial Reporting', as adopted by the EU.

The Directors are required to prepare the half-yearly financial report on a going concern basis unless it is not appropriate. Since the Directors are satisfied that the Group has the resources to continue in business for the foreseeable future, the financial information continues to be prepared on the going concern basis.

Each of the Directors, whose names and functions are outlined below, confirm that to the best of each persons' knowledge and belief:

- the half-yearly set of financial statements, comprising the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of financial position, the condensed consolidated statement of cash flows, the condensed consolidated statement of changes in equity and the related notes, have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting' as adopted by the EU; and

- the financial information includes a fair review of the information required by:

  (a) regulation 8(2) of the Transparency (Directive 2004/109/EC) Regulations 2007 as amended, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements and a description of the principal risks and uncertainties for the remaining six months of the year; and

  (b) regulation 8(3) of the Transparency (Directive 2004/109/EC) Regulations 2007 as amended, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the Group during that period and any changes in the related party transactions described in the last Annual Report that could do so.

The names and functions of the Directors as of 30 June 2017 are listed below:

John Gallagher	-	Chairman
John Cotter	-	Group Chief Executive
David Paige	-	Senior Independent Director
Colm Barrington	-	Non-Executive
Robin Phipps	-	Non-Executive
Peter Priestley	-	Non-Executive
Kathryn Purves	-	Non-Executive
Cara Ryan	-	Non-Executive

On behalf of the Board

J Cotter
Group Chief Executive

D Paige
Senior Independent Director

29 August 2017

Independent Review Report to IFG Group plc

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2017, which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of financial position, the condensed consolidated statement of cash flows, the condensed consolidated statement of changes in equity and the related notes 1 to 13. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with International Standards on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" as issued by the International Auditing and Assurance Standards Board. Our work has been undertaken so that we might state to the company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or the conclusions we have formed.

DIRECTORS' RESPONSIBILITIES

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Transparency (Directive 2004/109/EC) Regulations 2007, as amended and the Transparency Rules of the Central Bank of Ireland.

As disclosed in the basis of preparation, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in the half-yearly financial report has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union.

OUR RESPONSIBILITY

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

SCOPE OF REVIEW

We conducted our review in accordance with International Standards on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" as issued by the International Auditing and Assurance Standards Board. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2017 is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union, the Transparency (Directive 2004/109/EC) Regulations 2007, as amended, and the Transparency Rules of the Central Bank of Ireland.

Deloitte
Chartered Accountants and Statutory Audit Firm
Dublin

29 August 2017